5 Components of a Fundraising Plan

Virtually all businesses, including nonprofits, need operating funds. As Peter McFarren puts it in the "Components of a Fundraising Plan" lesson, "You can run a business without profit, but you can't run a business without cash flow. You need cash flow to be sustainable."

If you want to launch or grow a nonprofit organization, consider developing a fundraising plan. Like a business plan, a fundraising plan details how you intend to grow (or sustain) your organization while accounting for any challenges you may face along the way. Not only is a fundraising plan useful for securing funds from potential donors and/or grants, it also can help you think through some tough questions to ensure you are positioned to succeed.

So what goes into a fundraising plan? Below is an outline of the key components:

1. **Executive Summary**: A statement detailing the mission, vision, goals, and objectives of your organization. What is your overarching goal? What change(s) will your organization effect in the short-and long-term? How is it different from other nonprofit businesses in the space?
2. **Organizational Structure**: An overview of your organization's legal, management, and financial structure. How does your organization operate on a day-to-day basis? Is your current setup sustainable, both from a financial and personnel perspective?
3. **Strategic Objectives**: A summary of measurable objectives (e.g., milestones) that correspond with your overarching goal, along with an explanation of how you intend to achieve them. How many people will your product or service serve, and by when? How will you measure progress?
4. **Timeline & Budget**: A list of your organization's capital and operating expenses, fixed and variable costs, assets and liabilities. What funds are needed? What will they be used for? What is the return on investment that will result from your organization or project?
5. **Marketing**: A plan for how you intend to promote your nonprofit and make its mission and services (or products) known to your intended constituents as well as the general public. Who is your target audience? What are the best channels to communicate with them? Will you rely on a single spokesperson or a team of marketers?

If you're having trouble answering some of the questions listed above, we recommend beginning with our resource on Developing a Value Proposition (1 MB) before proceeding with a fundraising plan.

Always remember that the purpose of a fundraising plan is to demonstrate that you have a strong vision and a carefully devised strategy, and have taken steps to minimize risk. As Mandela Washington Fellow Adepeju Jaiyeoba said in her Facebook Live session, "People who give also want value for their money too…trust plays a key role in raising funds."

Developing a Business Plan

When launching a business, one of the most important first steps is to write a business plan. A good business plan will help you answer important questions, such as the value of your idea, potential market opportunity, and costs associated with everything from production to marketing.

Securing capital, attracting team members, and growing your business will be easier when you think through opportunities and obstacles up front. Ultimately, creating a detailed business plan will ensure that you are positioned to succeed. The following post outlines the critical steps you will need to take to develop a strong business plan:

STEP 1: "SALES DEMAND SIDE" ASSESSMENT
No matter what your idea is, you will need to research the size of the current potential market for your product or service, taking into account the unique benefit(s) your idea offers. A thorough market assessment should give you a good idea of how many potential units you can sell in a given period, and therefore how much capital you will need to raise in order to launch and grow your business. In the "Creating a Business Plan" lesson, Claude Grunitzky offers the following example:

If your idea is to sell a new type of battery for mobile phones, you'll need to make assumptions and determine how many batteries you think you can sell in a given market in the first year. And then in the second, third, and fourth year [...] Before you can claim that, you will need to do some research and find out the size of the current market for mobile phone batteries. Are there any problems with the batteries currently being sold in the marketplace? If so, you need to list those problems, and explain why your battery is better.

STEP 2: OUTLINE USE OF FUNDS
A "sales demand side" assessment should give you an approximate sense of how much start-up capital you need. To further refine this number, you must **determine how money should be allocated** across your start-up and operating costs, including research, salaries, manufacturing, marketing, distribution, and anything else relevant to your business. This critical step will help you think carefully about how the components of your business will function in tandem, and how you will address issues that may arise over the course of the next few years.

For example, if you decide to distribute your batteries via mail shipments, which factor(s) will be most important to determine a mail carrier—cost, speed, flexibility? Will your costs be fixed over time, or will they fluctuate based on the cost of postage or packing materials? Answering these questions will help you write your business plan, but more importantly, potential investors will want to know that you have thought carefully about how you intend to allocate funds, both now and in the future.

STEP 3: IDENTIFY RISK FACTORS
No matter how good your idea is, starting a business always involves risk. A good business plan will **address the potential risks your venture may face, along with a plan to cope with these challenges**. Doing your homework *beforehand* will save you precious time in a crisis. Startups and small businesses in particular must be able to adapt to unforeseen circumstances; investors will want to be sure that you have prepared for as many contingencies as possible.

For example, say you successfully launch your battery business, but soon learn that one of the manufacturers you rely on is halting production on a part that you need. If you identify early on that an interruption in your supply chain will pose a potential risk, your business plan may include research on alternative manufacturers that could create viable parts for your battery.

***

Developing a business plan requires you to think through your ideas in detail and ask yourself tough questions. It’s not an easy exercise, but it’s a necessary step to position your business for success.

Interested in learning more about the components of a business plan? Check out the YALI Network Business Plan Checklist [PDF 153 KB], which provides a detailed outline of everything that should be included in a strong business plan. For even more information, complete the YALI Network Online Course “Fundamentals of Starting and Running a Business,” or jump right to the lesson on creating a business plan.